

## **Seend Parish Council**

*Internal Audit Report 2019-20*

---

*Chris Hall*  
*Consultant Auditor*

*For and on behalf of*  
*Auditing Solutions Ltd*

## **Background**

**Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the AGAR.**

This report sets out the work undertaken in relation to the 2019-20 financial year. Due to the impact of the Covid-19 pandemic, we have undertaken our review for the year remotely: we wish to thank the Clerk for assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

## **Internal Audit Approach**

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over ten internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory conclusion of our annual programme of work, the Council has again maintained adequate and effective internal control arrangements, with no significant issues identified, although we have identified a few areas where we consider controls could be further improved: detail of these is set out in the body of the report with resultant recommendations further summarised on the appended Action Plan.

Consequently, we have completed and signed the year's 'Internal Audit Report', having concluded that, in all significant respects the control objectives set out in the Report have been achieved throughout the financial year to a standard adequate to meet the needs of the Council.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the Council's accounting records in spreadsheet format, which we consider appropriate for a Council of this size and given the number of annual transactions, with appropriate columnar analysis in place.

We have test-checked the spreadsheet detail for the financial year to both current and deposit bank account statements, and found no issues of concern.

We note that bank reconciliations continue to be presented to Council for approval at each Meeting. We have test-checked these reports, and verified the year-end bank reconciliation.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Review of Corporate Governance

We note that both Standing Orders and Financial Regulations were considered and approved by Council at the February 2020 meeting. However, these are based on an extrapolation of the NALC Model Form, using a format dating back some years, so it is not apparent whether they meet the current standard. It is also noted that, with regard to tendering levels, SO33b (18a(v) in the Model Form) states £10,000, whereas FR11.1h states £25,000. We believe these should be standardised at £10,000, which is an appropriate level for a Council of this size.

We have reviewed the Council's minutes for the financial year to determine whether any issues exist or may be developing that might have an adverse effect on the Council's future financial stability, whilst also ensuring that, as far as we may reasonably be expected to determine, no decisions have been made or are being considered that might result in ultra vires expenditure being incurred. No such issues have been identified.

While we are pleased to note a high level of compliance with the Transparency Code under the Accounts section of the website, efforts should be made to place historical comparison data prior to 2017 on the website, which is only currently available from the Clerk.

### *Conclusions and recommendation*

*R1. The Council should revise its Standing Orders and Financial Regulations to be more in line with the current NALC Model Forms, and revise the tendering levels.*

## **Review of Payments & VAT**

We have reviewed all payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council at a Council meeting approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We are pleased to note that a schedule of payments is prepared and submitted to Council at each monthly meeting with both cheque signatories initialling the schedule and the supporting invoice.

### ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

The Council formally reviews its Financial and Health & Safety Risk Register on an annual basis, the last time being at the October 2019 meeting. While this meets the requirement, it is suggested that Council consider reviewing the Risk Register on a more frequent basis to inform its strategic thinking. Consideration should also be given to assigning key risks (such as financial control, and significant projects) to the oversight of a named Councillor.

The Council continues to place its insurance requirements with Hiscox during the 2019-20 financial year. We have reviewed the content of the schedule and consider that it remains appropriate for the Council's current needs with Employer's and Public Liability cover in place at £10 million, Officials Indemnity at £500,000 and Business Interruption at £10,000

### ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation.***

## Budgetary Control and Reserves

We note that the Council agreed an appropriate Precept and budget for 2020/21 totalling £20,381 at its meeting in November 2019, which is properly recorded in the Minutes.

We note significant fluctuations in Reserves over the year. Overall reserves at 31 March 2020 have increased to £20,138 (£11,519 in 2018/19) which includes Earmarked Reserves of £4,474 (£4,023 in 2018/19) leaving a General Reserve of £15,664 (£7,496 in 2018/19). This equates to approximately 9 months net revenue expenditure based on current levels, which exceeds the generally accepted prudent level of 6 months

The Clerk has provided explanations for these significant variances, which largely relate to highways project costs. Nevertheless, Council should keep the position under close review, particularly during the annual Budget Setting meeting.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Review of Income

The Council has relatively limited sources of income in addition to the annual Precept. Income arises primarily from allotment rents, recoverable VAT, bank interest, occasional grants and donations. We have test-checked and agreed a sample of income transactions between the cashbook and bank statements for the financial year.

We note that allotment rents were reviewed by the Council in November 2019.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Petty Cash Account

*We note that the Council does not maintain a Petty Cash account. Any out-of-pocket expenses incurred are reclaimed and paid accordingly in line with normal trader payment procedures. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.*

## Salaries and Wages

In examining the Council's payroll function, we aim to ensure that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) in relation to the deduction and payment over of income tax and NI contributions.

We note that the Clerk (the Council's only employee) is paid on a monthly basis, and that gross pay is properly accounted for to HMRC via the Basic PAYE Tools system. We also note that the Clerk has opted out of the Self-Enrolment Pension Scheme.

### ***Conclusions***

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Asset Register**

The Governance and Accountability Manual (GAM) requires all councils to maintain a record of all assets owned.

We are pleased to note that, further to our comments in the 2018/19 Internal Audit report, substantial amendments have been made to the valuation of assets to accord with GAM requirements, largely from the deletion of pre-2009 estimates that were not related to original purchase costs. This has been reflected in a restatement of the 2018/19 figure on the AGAR.

### ***Conclusions***

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Investments and Loans**

*The Council has no funds in investments, any surplus cash being held in an interest-bearing deposit account at Lloyds TSB and an account with the Bath Building Society. The Council has no loans either repayable by, or to the Council.*

## **Statement of Accounts and AGAR**

The Statement of Accounts has, as in previous years, been prepared by DCK Accounting on behalf of the Council. We have checked the content of the Statement of Accounts to the cashbook, via the accountant's working papers, with no issues noted. We have consequently verified the detail recorded in Section 2 of the AGAR to the cashbook.

We note that DCK have calculated debtors and creditors as at 31 March 2020, resulting in a difference between Boxes 7 and 8 on the 2019/20 AGAR. This is unusual practice for a Council of this size, and normally only applies to Councils with a budget in excess of £250,000 pa. This approach should be queried with DCK with regard to the 2020/21 Accounts, which should be prepared on a more normal Receipts and Payments basis.

***Conclusions and recommendation***

*R2. DCK Accounting should be asked to justify their application of Income and Expenditure accounting (identifying debtors and creditors) to a small authority like Seend Parish Council, where the simpler Receipts and Payments accounting basis would be more appropriate. Any agreed change should take place from 2020/21, which may require a restatement of the 2019/20 AGAR.*

*No additional issues arise in this area this year and, based on the satisfactory conclusions reached from our work on the Council's systems of financial control and content of the detailed Summary Financial Statements and that summarised detail set out in Section 2 of the AGAR, we have signed off the internal audit report in the Return assigning positive assurances in each area.*

# Action Plan

Rec. No.	Recommendation	Response
R1	<i>(Corporate Governance)</i> The Council should revise its Standing Orders and Financial Regulations to be more in line with the current NALC Model Forms, and revise the tendering levels.	
R2	<i>(Statement of Accounts)</i> DCK Accounting should be asked to justify their application of Income and Expenditure Accounting (identifying debtors and creditors) to a small authority like Seend Parish Council, where the simpler Receipts and Payments Accounting basis would be more appropriate. Any agreed change should take place from 2020/21, which may require a restatement of the 2019/20 AGAR.	